

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO

GAS NATURAL INC.,

Plaintiff,

vs.

RICHARD M. OSBORNE,

Defendant.

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CASE NO. 1:14-cv-2181

**COMPLAINT AND DEMAND FOR JURY
TRIAL**

1. Gas Natural Inc. is a publicly traded natural gas holding company regulated by, among others, the United States Securities and Exchange Commission ("SEC"). Gas Natural is an Ohio corporation headquartered in Mentor, Ohio.
2. Richard M. Osborne is Gas Natural's former CEO and Chairman, and also a former board member. Mr. Osborne is a resident of Lake County, Ohio.
3. This Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. § 78aa, 28 U.S.C. § 1331, and 28 U.S.C. § 1367. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b)(1) and (2).
4. On May 1, 2014, Gas Natural's board voted to remove Mr. Osborne as Gas Natural's CEO and Chairman.
5. When informed of this decision on May 1, Mr. Osborne physically assaulted a fellow board member and also Gas Natural's outside counsel. His disruptive and abusive behavior continued after the May 1 meeting.
6. As a result, Gas Natural's board decided to remove Mr. Osborne from the slate of directors nominated for election at Gas Natural's July 30, 2014 shareholder meeting.

7. In response, on June 12, 2014, Mr. Osborne wrote to Gas Natural's corporate secretary, requesting a list of the company's shareholders so that he could solicit their support to be reinstated to Gas Natural's board:

I hereby make written demand to examine the records of Gas Natural Inc. and to make copies or extracts thereof for the purpose of communicating with other shareholders regarding the affairs of Gas Natural. *** I need the list of shareholders so that I can solicit their support to be reinstated to the Board.

8. On June 18, 2014, Gas Natural provided to Mr. Osborne the list of shareholders he requested, which were the shareholders eligible to vote at the July 30 shareholder meeting.
9. On June 25, 2014, Mr. Osborne sued Gas Natural and its directors in the Lake County Court of Common Pleas, seeking to enjoin the July 30, 2014 shareholder meeting from going forward. Mr. Osborne alleged:

The Defendant Directors are trying to rush through an election to retain their own seats, and remove the only voice on the Board whose focus remains to advance the best interests of the shareholders, Mr. Osborne... [T]he Defendant Directors have delayed providing minutes to Mr. Osborne (in particular, the meetings where they terminated Mr. Osborne and voted to take away his board seat are missing) so that he can educate the other shareholders and garner proxies to elect a board of principled directors that will not seek to avoid liability and will work to keep the company's financial viability a priority. There will be no meaningful election if there is not time to make shareholders aware of these issues.

10. On July 9, 2014, Mr. Osborne requested another list of Gas Natural's shareholders, including all non-objecting beneficial owners:

I previously asked for a copy of the list of all shareholders so I can solicit their support in a proxy contest. However, the list produced by your counsel at Korhman Jackson & Krantz failed to include non-objecting beneficial owners ("NOBOs"), nominee owners such as brokerage firms and Bank Trust Departments.

Please forward a full list of all shareholders and those who control shareholder voting rights immediately.

Gas Natural provided this additional list of shareholders to Mr. Osborne two days later.

11. Also on July 9, 2014, the Lake County Court commenced a preliminary injunction hearing on Mr. Osborne's motion to prevent the July 30, 2014 shareholder meeting from going forward. Mr. Osborne attended that hearing, and listened as his counsel argued that there was not enough time for Mr. Osborne to inform shareholders how he truly felt about his fellow directors, and to run for reelection himself.
12. Unbeknownst to Gas Natural, the Lake County Court, and even Mr. Osborne's own attorney, on the same day that the Court conducted this preliminary injunction hearing, Mr. Osborne sent the first of several letters to Gas Natural's shareholders, criticizing the company's board through a series of false and inflammatory statements. These statements included:
 - a. That Mr. Osborne saved Gas Natural from near bankruptcy (the company was never anywhere close to filing for bankruptcy);
 - b. That he was "tossed out because the attorney of our [sic] Derivative Lawsuit told our board members it would be the easiest way to settle" (that is neither true, nor the reason why Mr. Osborne was removed as CEO and Chairman);
 - c. That attorney "Mark Kratz" represented him personally for 35 years (among other things, attorney Marc Krantz has only been practicing law for 28 years, 22 in Cleveland);
 - d. That "Mike Victor, Chairman of the Compensation Committee, promised me three years severance for wrongful discharge" (Michael Victor is not and was not

Chairman of the Compensation Committee, Mr. Osborne was not wrongfully discharged, and Mr. Victor never promised him anything);

- e. That Mr. Osborne is “owed a minimum of \$5,250,000 for pipelines they have been using illegally” (Gas Natural and its subsidiaries have been paying a tariff to use these pipelines, which Mr. Osborne represented to a bankruptcy court are only worth around \$3 million);
- f. That “cash flow was a cause for concern” at the June 25th board meeting, yet the directors “chose to milk the company and instead of giving the money to the share holders by granting themselves [sic] each 4,000 shares, the equivalent of \$44,000 per director” (the shares granted to directors were not approved at the June board meeting, and were for two years of service on Gas Natural’s board);
- g. That the “company is now being run by accountants,” and “it is a disaster.”

13. Mr. Osborne concluded his July 9 letter to shareholders by stating: “I am asking for your help in running these greedy individuals out of our company. You will receive additional letters from me in the future.” A copy of Mr. Osborne’s July 9, 2014 letter is attached as Exhibit A.

14. Mr. Osborne did not file his July 9, 2014 letter to Gas Natural’s shareholders with the SEC. Mr. Osborne did not file a preliminary or definitive proxy statement with the SEC.

15. On July 15, 2014, Mr. Osborne dismissed without prejudice his Lake County lawsuit. But he refiled it on July 28, 2014. He did not again seek to enjoin the annual shareholder meeting, which occurred as scheduled two days later. But he requested in his complaint that the Lake County Court void the election of directors at the July 30 meeting, and

order Gas Natural to conduct another shareholder meeting for the purpose of electing directors no later than February 2015. Mr. Osborne's refiled lawsuit remains pending.

16. Thereafter, Mr. Osborne renewed his campaign to persuade Gas Natural's shareholders to vote out the company's existing board and elect him. In correspondence dated August 12, 2014, Mr. Osborne wrote to Gas Natural's shareholders:

Dear Shareholder,

At the July 30th Shareholders Meeting, I was asked to leave the room by the Painesville Police Department. ***

After the meeting, the Führer got all of his Nazi Managers on the phone and instructed them not to talk to me, only through Nazi General Counsel, Chris Hubbert. I'm surprised they did not ask me to put a yellow star on my shirt!

The following are your new officers and directors:

Greg "Anything for Nothing" Osborne

Gene "Panty Sniffer" Argo

Jim "Shady" Sprague

Mikey "Trust Baby" Victor

Jack "Recovering Alcoholic" Male

Richie "Almost Felon" Greaves

Wade "Suspected Insider Trader" Brooksby

Lately vendors have been calling me to tell me Gas Natural is not paying their bills. All of these big plans, yet the company is broke.

I will try to keep you informed on any developments within the company.

Sieg heil!

Attached to this letter was a document purporting to show “Gas Natural’s Possible Exposure” to Mr. Osborne and companies he owns. The letter and the attachment, which both contain numerous false and inflammatory statements, are attached as Exhibit B.

17. Mr. Osborne did not file his August 12, 2014 letter to Gas Natural’s shareholders with the SEC.

18. In correspondence to Gas Natural’s shareholders dated September 9, 2014, Mr. Osborne criticized the hiring of another individual:

The company recently hired Kevin Degenstein. Another in a long line of big mistakes the company is making. I fired Kevin eight months ago because he was lazy and stupid. He has cost our company hundreds of thousands of dollars. *** Kevin along with Jed Hedthorn also engineered an \$822,188 fraud the company had to write off the second quarter. Since he’s been fired, he cannot find a job. If he is so good, how did he remain unemployed?

***Why does this company keep going backwards and not forward?

This letter, which also contains numerous false and inflammatory statements, is attached as Exhibit C. Upon information and belief, Exhibits B and C were recently sent to all shareholders simultaneously, even though they bear different dates.

19. Mr. Osborne did not file his September 9, 2014 letter to Gas Natural’s shareholders with the SEC.

COUNT I – Violations of Regulation 14A

20. Plaintiff incorporates by reference the allegations in paragraphs 1 through 19 above.

21. Mr. Osborne’s letters to shareholders, attached as Exhibits A, B, and C, were solicitations, as that term is defined in Rule 14a-1 under the Securities Exchange Act of 1934.

22. Mr. Osborne engaged in solicitations without filing a preliminary or definitive proxy statement with the Securities and Exchange Commission and without providing a copy to the solicited shareholders, in violation of Rules 14a-3 and 14a-6.

23. Mr. Osborne's solicitations contained false and misleading statements, in violation of Rule 14a-9.

24. Gas Natural has been damaged as a result of Mr. Osborne's violations.

COUNT II – Defamation

25. Plaintiff incorporates by reference the allegations in paragraphs 1 through 24 above.

26. Mr. Osborne wrote the letters attached as Exhibits A, B, and C and sent them to Gas Natural's shareholders.

27. Mr. Osborne's letters concerned Gas Natural and its board.

28. Mr. Osborne knew his letters contained numerous false statements about Gas Natural and its board.

29. Mr. Osborne's letters were defamatory per se, and Gas Natural was also harmed by them.

30. Mr. Osborne has acted with actual malice, and his conduct is characterized by hatred, ill will, and/or a spirit of revenge.

WHEREFORE, Plaintiff demands that Defendant be enjoined from making any additional solicitations without complying with the provisions of Regulation 14A of the Securities Exchange Act of 1934, including Rules 14a-3, 14a-6, and 14a-9, and that Defendant be ordered to pay damages, punitive damages, attorney's fees, and costs.

JURY DEMAND

Plaintiff requests a trial by jury on all issues so triable in this action.

Respectfully submitted,

/s/ Christian J. Grostic
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Michael R. Hamed (0069092)
Christian J. Grostic (0084734)
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Attorneys for Plaintiff Gas Natural Inc.

Exhibit A

Richard M. Osborne

8500 Station Street, Suite 113

Mentor, OH 44060

Ph. 440-951-1111

July 9, 2014

Dear Shareholder,

My name is Richard M. Osborne, former Chairman and CEO of Gas Natural Inc. After saving the company from near bankruptcy, I was tossed out because the attorney of our Derivative Lawsuit told our board members it would be the easiest way to settle. Mark Kratz, Gas Natural's current Securities Attorney who represented me personally for 35 years and Mike Victor, Chairman of the Compensation Committee, promised me three years severance for wrongful discharge. They later reneged on this promise. Lawsuits are in process for the \$750,000 owed to me in earn-outs. I am also owed a minimum of \$5,250,000 for pipelines they have been using illegally.

The company is now being run by accountants. It is a disaster and employee morale is at an all time low. Those in charge believe they can make a difference by pushing buttons. At the June 25th board meeting, cash flow was a cause for concern. I suggested we take the Directors Fees from \$5,000 to \$2,000 to help in this matter. The directors instead chose to milk the company and instead of giving the money to the share holders by granting themselves each 4,000 shares, the equivalent of \$44,000 per director. Another example of their antics, during the only meeting I ever missed due to a surgery in 2013, the remaining board members raised the Directors Fees from \$2,000 to \$4,000.

I am asking for your help in running these greedy individuals out of our company. You will receive additional letters from me in the future. If you have your own concerns or complaints, please address them to me in writing to my office or directly at 216-215-1313.

Sincerely,

Richard M. Osborne

Exhibit B

Richard M. Osborne
8500 Station Street, Suite 113
Mentor, OH 44060
Ph. 440-951-1111

August 12, 2014

Dear Shareholder,

At the July 30th Shareholders Meeting, I was asked to leave the room by the Painesville Police Department. This was precipitated by asking questions to the CEO that he refused to answer and deemed me out of order. They claimed this was a private meeting on private property at Lake Erie College. How can a public Share Holders Meeting be private?

After the meeting, the Führer got all of his Nazi Managers on the phone and instructed them not to talk to me, only through Nazi General Counsel, Chris Hubbert. I'm surprised they did not ask me to put a yellow star on my shirt!

The following are your new officers and directors:

Greg "Anything for Nothing" Osborne

Gene "Panty Sniffer" Argo

Jim "Shady" Sprague

Mikey "Trust Baby" Victor

Jack "Recovering Alcoholic" Male

Richie "Almost Felon" Greaves

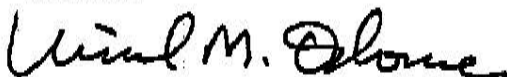
Wade "Suspected Insider Trader" Brooksby

We are sending documents to the SEC for suspected insider trading. None of these directors or officers ever bought any stock. They only own stock as the company giving it to them.

Lately vendors have been calling me to tell me Gas Natural is not paying their bills. All of these big plans, yet the company is broke.

I will try to keep you informed on any developments within the company.

Sieg heill



Richard M Osborne

THIS IS GAS NATURAL'S POSSIBLE EXPOSURE

Description	Original Charges	Treble Damages				
2" Steel Pipelines being used ILLEGALLY	\$ 5,250,000.00	\$ 15,750,000.00				
Transport for past years of illegal usage.						
VOLUMES	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total Meter
Total Metered	168,146.6	269,461.7	271,742.2	331,425.8	222,117.9	1,262,894.2
Total Farm Tap	229,172.5	357,702.2	312,373.9	379,321.1	269,200.0	1,547,769.7
Total	397,319.1	627,163.9	584,116.1	710,746.9	491,317.9	2,810,663.9
At \$0.95/Bate	Total 2010	Total 2011	Total 2012	Total 2013	Total 2014	Total
Total Metered	\$ 159,739.27	\$ 255,988.62	\$ 258,155.09	\$ 314,854.51	\$ 211,012.01	\$ 1,199,749.49
Total Farm Tap	\$ 217,713.88	\$ 339,817.09	\$ 296,755.21	\$ 350,355.05	\$ 255,740.00	\$ 1,470,381.22
Total	\$ 377,453.15	\$ 595,805.71	\$ 554,910.30	\$ 675,209.56	\$ 466,752.01	\$ 2,670,130.71
Cancelling poison pill with 10% exemption rule	\$ 9,000,000.00	\$ 27,000,000.00				
Wrongful discharge	\$ 1,050,000.00	\$ 3,150,000.00				
John D Marketing Earn-Out Payment	\$ 7,000,000.00	\$ 21,000,000.00				
10%-25% Special Meeting Illegally with no Wyoming permission	\$ 4,500,000.00	\$ 13,500,000.00				
Total	\$ 29,470,130.71	\$ 88,410,392.13				

Exhibit B

*These are only estimates if everything in court would go our way.

Exhibit C

Richard M. Osborne
8500 Station Street, Suite 113
Mentor, OH 44060
Ph. 440-951-1111

September 9, 2014

Dear Shareholder,

The company recently hired Kevin Degenstein. Another in a long line of big mistakes the company is making. I fired Kevin eight months ago because he was lazy and stupid. He has cost our company hundreds of thousands of dollars. The first time in the company's history it went in for a rate review under Kevin's leadership and had to reduce our prices. Another debacle was the electric plant east of Great Falls. Kevin assured us that we would get three to four hundred thousand dollars in bankruptcy. We got nothing. Kevin along with Jed Hedthorn also engineered an \$822,188 fraud the company had to write off the second quarter. Since he's been fired, he cannot find a job. If he is so good, how did he remain unemployed?

As COO he will be based at Great Falls, I tried to get him to move to the main office at Mentor, Ohio. He refused because his son was an alcoholic. Again it will cost the company hundreds of thousands of dollars for him to fly throughout the United States. Why does this company keep going backwards and not forward?

Best Regards,



Richard M. Osborne